

## Message Text

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PAGE 01 TEL AV 07587 151400Z

ACTION EB-08

INFO OCT-01 NEA-11 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05

SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02

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USMISSION GENEVA

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E.O.11652: N/A

TAGS: ETRD, MTN, GSP, IS

SUBJ: POSSIBLE CLOSING OF COTTON THREAD AND YARN PLANT

1. SUMMARY - THE PROPOSED SHUTDOWN OF A LARGE COTTON YARN AND THREAD PLANT IN A DEVELOPMENT TOWN NEAR THE JORDANIAN BORDER CREATES SOCIAL PROBLEMS AS WELL AS POLITICAL PROBLEMS FOR THE GOI.  
END SUMMARY

2. THE ISRAELI HOLDING COMPANY, CLAL, ANNOUNCED THAT IT WAS CLOSING ITS KITAN TEXTILE PLANT LOCATED IN THE DEVELOPMENT TOWN OF BEIT SHEAN, IN NORTHEAST ISRAEL. THE PLANT EMPLOYS 500 WORKERS FROM BEIT SHEAN AND 200 ARAB WORKERS FROM NEIGHBORING AREAS.

3. CLAL HAS DELAYED THE PLANT CLOSING AT THE REQUEST OF THE GOI TO ALLOW TIME TO DEVELOP AN ALTERNATE PLAN WHICH WOULD AVOID THE PLANT CLOSING OR AT LEAST PHASE OUT THE CLOSING OVER A PERIOD OF SEVERAL MONTHS TO ALLOW DISPLACED WORKERS TO FIND NEW JOBS.

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PAGE 02 TEL AV 07587 151400Z

4. THIS KITAN PLANT EMPLOYS 25 PCT OF THE TOTAL LABOR FORCE IN BEIT SHEAN, (POP. 20,000) A DEVELOPMENT TOWN CLOSE TO THE 1967 JORDANIAN BORDER. THERE DOES NOT APPEAR TO BE ANY ALTERNATE LOCAL SOURCE OF EMPLOYMENT AT THIS TIME FOR SUCH A LARGE NUMBER OF WORKERS. THE HISTADRUT, THE ISRAELI GENERAL CONFEDERATION OF LABOR, WHICH HAS HEAVILY INVESTED IN THE COMPANY HAS

ALSO EXPRESSED ITS CONCERN OVER THE CLOSING OF THE PLANT.

5. ACCORDING TO CLAL, THIS PLANT, WHICH PRODUCES COTTON YARNS AND THREADS, IS NOW LOSING ABOUT IL3 MILLION PER MONTH. THE PLANT HAS BEEN A MONEY-LOSING OPERATION FOR THE PAST TWO YEARS. THE SITUATION WAS AGGREGATED BY THE OCTOBER 1977, NEW ECONOMIC POLICY (NEP) WHICH TERMINATED CERTAIN EXPORT INCENTIVES. INCREASED COMPETITION FROM IMPORTS FROM THE FAR EAST, PLUS THE INABILITY OF KITAN PRODUCTS TO COMPETE ABROAD WITH SIMILAR PRODUCTS FROM TURKEY, EGYPT, INDIA, PAKISTAN, ETC., SEALED THE FATE OF THE PLANT.

6. BACKGROUND: CLAL OWNS 100 PCT OF KITAN LTD., WHICH IS THE LARGEST TEXTILE ENTERPRISE IN THE COUNTRY WITH THREE LARGE PLANTS AT DIMONA, BEIT SHEAN AND NAZARETH. TOTAL EMPLOYMENT IS 3,300. ACCORDING TO THE LATEST CLAL ANNUAL REPORT, KITAL LTD., DURING THE 1977 FISCAL YEAR, HAD TOTAL SALES OF IL632,400,000, EXPORTS OF \$12.5 MILLION, FIXED ASSETS OF IL191,700,000 AND CAPITAL RESERVES AND SURPLUS OF IL74,800,000.

7. COMMENT: MANY OBSERVERS BELIEVE THAT CLAL, BY ANNOUNCING THE CLOSING OF THE PLANT, IS PUTTING PRESSURE ON THE GOI BECAUSE OF A DISPUTE IT HAS CONCERNING THE PURCHASE OF THE GOVERNMENT'S MAJORITY SHAREHOLDING OF THE MORTGAGE BANK, IN WHICH CLAL HAS A MINORITY POSITION AND AN OPTION TO BUY OUT THE GOVERNMENT'S SHARE. COMPANY OFFICIALS, HOWEVER, ARE ADAMANT THAT THIS IS NOT LIMITED OFFICIAL USE

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PAGE 03 TEL AV 07587 151400Z

THE CASE AND THAT THEIR DECISION IS BASED ON PURELY ECONOMIC GROUNDS. THE PLANT HAS BEEN A CONSISTENT MONEY-LOSER AND GIVEN THE WORLD MARKET SITUATION IT CANNOT COMPETE WITH OTHER COUNTRIES.

8. THERE IS NO DOUBT THAT THE INTENDED CLOSING PRESENTS THE GOI WITH A MAJOR POLITICAL PROBLEM. NOT ONLY IS THE LARGE NUMBER OF WORKERS INVOLVED SIGNIFICANT IN A COUNTRY WHICH INSISTS ON ALMOST FULL EMPLOYMENT, BUT THE LOCATION OF THE PLANT IN A BORDER SETTLEMENT IN A DEVELOPMENT AREA WITH FEW ALTERNATE EMPLOYMENT POSSIBILITIES AND THE FACT THAT THE COMMUNITY IS PREDOMINANTLY LIKUD MAKE THE SITUATION MORE DELICATE. BASED ON PAST EXPERIENCE, HOWEVER, THE GOI AND THE HISTADRUT WILL PROBABLY COME UP WITH SOME SCHEME TO CONTINUE OPERATION OF THE PLANT, UNDER SOME TYPE OF SUBSIDY SCHEME OR OTHER TYPE OF ARRANGEMENT.

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## Message Attributes

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**Concepts:** COTTON, CLOSURE OF OFFICES, INDUSTRIAL PLANTS  
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**Disposition Case Number:** n/a  
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**Type:** TE  
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